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Modi Rubber Limited

28th ANNUAL REPORT 1998-99

MODI RUBBER LIMITED

Dear Shareholder,

Re : Dematerialisation of Equity Shares in electronic form

Since the present long prevalent scrip-based system in the Company has traditionally involved enormous paper work involving share certificates in paper form and transfer deeds and the process beginning from buying shares through the stock exchanges till getting the certificates duly endorsed in the buyer's name is indeed quite complex and time-consuming and it is riddled with the variety of problems like bad deliveries for several reasons, your Company has joined the Depository System operated by National Securities Depository Limited (NSDL) and has arranged the necessary connectivity to enable the investors to avail of the Depository facility in respect of the shares of the Company.

As regards the Depository System it envisages elimination of paper work involved in the scrip-basis system and enables share trading and transfer processing electronically, thereby benefitting those shareholders who deal frequently in the shares of the Company. Under this electronic system, a Dematerialisation process is carried out in which the existing physical shareholding of a shareholder is converted into the electronic form.

Thus, if you wish to maintain your shareholding in the electronic form by joining the Depository facility, you will have to open an Account with a Depository Participant (DP), who are agents of NSDL, and lodge your share certificates, through the DP with SRG Infotec Ltd. Devraha House, A-256, Okhla Industrial Area, Phase - I, New Delhi - 110 019, Share Transfer Agents (STA) of the Company for Dematerialisation. The DP/STA will then ensure that the physical share certificates are cancelled and after verification by the Company, an equivalent number of shares will be credited to your account with the DP in electronic form.

Under this system, as and when desired, you are also permitted to reconvert back your electronic shareholding into the physical form of share certificates by a process of Rematerialisation.

A detailed and comprehensive understanding of the implications of the Depository System and the services available with the DP (as per enclosed salient features) would be desirable before you exercise your option to join the Depository System.

It is reiterated that requests for Dematerialisation and Rematerialisation have to be made only to the DPs whom you may also approach for any clarification on operational issues. However, you may also contact the STA, **M/s SRG Infotec Ltd., Devraha House, A-256, Okhla Industrial Area, Phase - I, New Delhi - 110 020** for any assistance or guidance in the matter.

Please let us know if any further information/clarification is required in this regard.

Thanking you and assuring you of our best attention all the times.

Dated : 29.12.1999

Registered Office:

Modi Bhawan

Modinagar - 201 204

Distt. Ghaziabad

Encl: Salient features on Depository System

MODI RUBBER LIMITED

S.N. GHOSH

Company Secretary

MODI RUBBER LIMITED

SALIENT FEATURES ON DEPOSITORY SYSTEM

CONCEPT

Depository system essentially aims at eliminating the voluminous and cumbersome paper work involved in the scrip-based system and offers scope for "paperless" trading through state-of-art technology.

It enables conversion of physical securities in electronic form through a process of 'dematerialisation' (also known as 'demat') of share certificates and facilitates share transactions and transfers electronically without involving any share certificate or transfer deed.

It thus alleviates the hardships currently faced by the investors and also it offers option for converting the shares from electronic to physical or paper form through a process of 'rematerialisation' (also known as 'remat').

Depository system is, indeed, time-tested and long prevalent in many advanced countries and has been playing a significant role in stock markets around the world.

In India, the first depository has been set up by National Securities Depository Limited (NSDL), which is jointly promoted by IDBI, UTI and National Stock Exchange in accordance with the Rules and Regulations framed by SEBI.

CONSTITUENTS OF DEPOSITORY SYSTEM

- * Depository (NSDL)
- * Depository Participants (DPs)
- * Companies/Registrars
- * Investors

ROLE OF NSDL AS A DEPOSITORY

NSDL is an organisation where the securities of an investor are held in electronic form through the medium of DPs. NSDL offers following facilities:

- * enables surrender and withdrawal of securities to and from the depository through the process of demat and remat.
- * maintains investors' holding in electronic form.
- * effects settlement of securities traded in depository mode on the stock exchanges.
- * carries out settlement of trades not done on the stock exchanges (off-market trades).

ROLE OF DEPOSITORY PARTICIPANTS

A DP is share holder's representative in the depository system and as per the SEBI Guidelines, Financial Institutions/Banks/Custodians/Stock Brokers etc. can become DPs provided they meet the necessary requirements prescribed by SEBI.

A DP is the first point of contact with the investor and serves as link between the investor and the Company through NSDL in dematerialisation of shares and other electronic transactions.

As per the Scheme of Depository, the Company is not allowed to entertain a demat request from a shareholder directly and he has to necessarily initiate the process through a DP.

DEMATERIALISATION

Demat is a process by which the share certificates are taken back by the Company through his DP, verified and if found in order, demat is confirmed by the Company and then an equivalent number of shares are credited by the DP to shareholder's account as electronic holding. The entire process of dematerialisation has to be completed within a period of 15 days.

REMATERIALISATION

Rematerialisation is a process of converting shareholder's electronic holding back into share certificates in paper form. The process of rematerialisation is also carried out through shareholder's DP and the process has to be completed within a period of 30 days.

FUNCTIONING OF DEPOSITORY SYSTEM

The depository system functions very much like our banking system. The chart below gives an analogy between the banking and depository system;

BANK	NSDL
<ul style="list-style-type: none"> ● Holds funds in accounts ● Transfers funds between accounts ● Transfers without handling money ● Safekeeping of money 	<ul style="list-style-type: none"> ● Holds securities in accounts ● Transfers securities between accounts ● Transfers without handling securities ● Safekeeping of securities

SWITCHING FROM SCRIP-BASED SYSTEM TO DEPOSITORY SYSTEM

The steps given below describes the flow process involved in the depository system.

Step 1

- * The shareholder has to approach a DP of his choice and open an account just like we open an account with a bank.
- * With the opening of account, a shareholder gets an Identification Number called 'Client ID' which serves as reference point for all his transactions with the DP.
- * The shareholder has to fill up a form called Dematerialisation Request Form (DRF) to be provided by the DP and hand over his share certificate(s) duly cancelled by writing "surrendered for dematerialisation" to them for demat. The DP will accept certificate(s) registered only in the name of the share holder.

Step 2

- * Upon receipt of DRF along with the original share certificate(s), the DP sends an electronic request to the Company through NSDL for confirmation of demat and simultaneously surrenders his DRF and share certificate(s) accompanied by a standard letter to the Company for demat confirmation.

Step 3

- * If the Company is equipped with the requisite hardware/software facility and is linked to NSDL network through a V-Sat connection, shareholder's DP's request for demat can be thus electronically received by the Company through NSDL without any delay.

Step 4

- * As soon as the Company receives the DRF and shareholder's share certificate(s), necessary verification is done and demat is confirmed to NSDL.

Step 5

- * NSDL further confirms the demat to shareholder's DP.

Step 6

- * DP credits in shareholder's account with the number of shares so dematerialised and thereafter the shareholder holds the securities in electronic form.
- * Shareholder's DP also gives to shareholder a statement of his holdings and updates his account after each transaction just like a bank account.

Electronic Transactions

- * Once the shareholder opens an account with a DP, he can buy or sell shares in electronic form without any paperwork and without paying any stamp duty of 0.5% as applicable to scrip-based transactions.
- * The DPs charge to the shareholder for the services offered by them, it is advisable for the shareholder to get full details of service charges from the DP with whom he wishes to open an account.
- * A shareholder can open his account with any number of DPs of his choice just as opening bank account with several banks.
- * A shareholder can trade in depository mode through any broker registered with the National Stock Exchange but he has to provide the details of his account with the DP.

PLEDGE/HYPOTHECATION

A shareholder can pledge/hypothecate his shares held in electronic form by making an application to his DP. Similarly, he can also request for closure of pledge/hypothecation.

Full details of the process of pledge/hypothecation may be obtained by the shareholder from his DP.

FREEZING OF YOUR ACCOUNT WITH THE DP

If at any time, as a security measure, a shareholder desires that no transaction should be effected in his account, he may accordingly advise his DP who shall then ensure that his account is totally frozen until further instructions from him.

OPTION OF REMATERIALISATION

A shareholder also has the option of converting his electronic holding into share certificates by requesting his DP for a remat and through a similar process. Then the Company has to issue new certificates to the shareholder for the shares so rematerialised.

CORPORATE BENEFITS

When the Company announces dividend, NSDL will provide the details of all persons having electronic holding of its shares with reference to the record date/book closure and the Company will disburse the dividend to such holders by sending dividend warrants directly to them as per the practice presently followed in scrip-based system. In case of Right/Bonus issues, the distribution of share entitlements will be done in electronic form by NSDL based on the information provided by the Company.

For any discrepancy with regard to corporate benefits, a shareholder can always approach his DP/ Company for any assistance or clarification.

NEW PUBLIC ISSUE

It is also possible for the investors to get allotment of shares in a fresh public issue in electronic form. The Application Form itself will have a provision for the investors to indicate the manner in which they would like to get the allotment. For allotment in electronic mode, applicants have to mention their Client ID Number and the name of the DP.

BENEFITS OF THE DEPOSITORY SYSTEM

- * As would be evident from the above, electronic transaction of securities eliminates the problems and delays arising out of scrip-based system.
- * There is no scope for any risk of loss, theft or fraud with regard to share certificates.
- * Bad deliveries are almost eliminated.
- * There is no hassle of filling in transfer deeds and lodging/despaching the transfer documents with the Company, thus avoiding a lot of paper work.
- * The shareholder no longer has to wait for the shares to be transferred in his name and suffer delays on account of processing time.
- * It totally eliminates risk associated with loss/fraudulent interception of share certificates in postal transit.
- * When a shareholder buys shares in depository mode, he becomes the owner of those shares in electronic form within a day of the completion of settlement. Similarly, when he sells shares in electronic form, he receives the payment much faster.
- * The shareholder saves on stamp duty @ 0.5% of the market value of shares and although he incurs some cost towards DP's service charges, it could still lead to some saving. This, however, needs to be evaluated by the individual investor.
- * Investment is highly liquid at all times as there is shorter waiting period.
- * The marketable lot for transaction in depository mode has been fixed as one share. Therefore, the problems of odd lots is totally eliminated.
- * Once a shareholder opens an account with the DP for any Company shares, the same can be utilised by him for transacting securities of other Companies which are part of the depository system.

It is therefore evident that, depository is a much more safe and user-friendly mode of holding and transacting the securities.



THE COMPANY

BOARD OF DIRECTORS

Bodhishwar Rai
CHAIRMAN

Vinay Kumar Modi
VICE CHAIRMAN &
MANAGING DIRECTOR

Bhupendra Kumar Modi (Dr.)
MANAGING DIRECTOR

DIRECTORS

Hubertus Von Grunberg (Dr.)

Avinash Chander Ahuja
(NOMINEE OF IFCI)

Tadanki Panduranga Rao
(NOMINEE OF IDBI)

Prem Chand Gupta
(NOMINEE OF LIC)

Kanwaljit Singh Bains
IAS (RETD.)
(NOMINEE OF UTI)

Seshagiri Natarajan
(NOMINEE OF ICICI)

Mohan Krishna Tandon
(NOMINEE OF GIC)

Robert Steinmetz
(ALTR. DIRECTOR TO Dr. H.V. GRUNBERG)

CHIEF GENERAL MANAGER
(Finance & Accounts)-Head Office
Krishan Bhagwan Gupta

CHIEF GENERAL MANAGER
(Finance & Accounts)-Plant
Ravinder Lal Ahuja

COMPANY SECRETARY
Som Nath Ghosh

REGISTERED OFFICE

Modinagar-201 204
District Ghaziabad (Uttar Pradesh)
Tel: (01232) 42487

HEAD OFFICE

4/7C, DDA Shopping Centre
New Friends Colony
New Delhi-110 065
Tel: (011) 6830703

WORKS

Modipuram-250 110
District Meerut (Uttar Pradesh),
Modinagar-201 204
District Ghaziabad (Uttar Pradesh),
Partapur
District Meerut (Uttar Pradesh)

BANKERS

State Bank of India
Punjab National Bank
Citibank N.A.
State Bank of Patiala
Hongkong & Shanghai Banking Corpn. Ltd.
Standard Chartered Bank
State Bank of Travancore
Punjab & Sind Bank

STATUTORY AUDITORS

Messrs Singhi & Company
Chartered Accountants
New Asiatic Building
'H' Block, Connaught Circus
New Delhi-110 001

INTERNAL AUDITORS

Messrs S.N. Nanda & Company
Chartered Accountants
1E/23, Jhandewalan Extension
New Delhi-110 055

TRANSFER AGENTS & REGISTRARS FOR SHARES & FIXED DEPOSITS

SRG INFOTEC LIMITED
Devraha House, A-256,
Okhla Industrial Area, Phase-I,
NEW DELHI-110 020
Tel: (011) 6812434

Due to prohibitive cost of paper and printing, copies of the Annual Report will not be distributed at the Annual General Meeting. Members/Shareholders are requested to bring copies of their Annual Report to the meeting.

MODI RUBBER LIMITED

Regd. Office: Modinagar - 201 204

Distt. Ghaziabad (U.P.)

NOTICE

NOTICE is hereby given that the **28th Annual General Meeting** of Modi Rubber Limited will be held at Dayawati Modi Public School Auditorium, Modinagar 201 204 (U.P) on Monday, 27th March, 2000 at 12.00 Noon to transact the following business:

ORDINARY BUSINESS

1. To consider, receive and adopt the Audited Profit & Loss Account for the accounting year ended 30.09.1999 and the Balance Sheet as at 30.09.1999 and the Reports of the Directors and Auditors thereon.
2. To declare dividend
3. To appoint a Director in place of Shri Bodhishwar Rai, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit to pass, with or without modifications, the following as a Special Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Singhi & Company, Chartered Accountants, New Delhi, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.3.30 lacs towards Statutory Audit and Rs.1.20 lacs towards Continuous Audit, in addition to the reimbursement of travelling and other out of pocket expenses actually incurred by them in connection with the Statutory Audit and/or Continuous Audit and such other remuneration, as may be decided to be paid to them, for performing duties other than those referred to hereinabove."

SPECIAL BUSINESS

5. To consider and, if thought fit to pass, with or without modifications, the following as an Ordinary Resolution:
 "RESOLVED THAT subject to the approval of the concerned Financial Institutions, and Banks wherever necessary, the consent of the Company be and is hereby accorded in terms of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to mortgage and/or create second charge in any manner, whatsoever on all or any of the immovable properties of the Company (save and except the specified assets excluded from the purview of the charge of the concerned Financial Institutions/Trustees) and to hypothecate the movable properties of the Company, wheresoever situate, both present and future, and the whole of the undertaking of the Company ranking pari passu with the other charges created/to be created by the Company in favour of the concerned Financial Institutions/Trustees and Banks in favour of the following namely:
 - i) State Bank of India (SBI)
 - ii) Punjab National Bank (PNB)
 - iii) State Bank of Patiala (SBP)
 - iv) Citibank NA (CITI)
 - v) Standard Chartered Bank (SCB)
 - vi) Hongkong & Shanghai Banking Corpn. Ltd. (HSBC)
 - vii) Punjab & Sind Bank (P&SB)
 - viii) State Bank of Travancore (SBT), and/or
 - ix) such other Banks as may be mutually agreed by the Members of the consortium.

to secure the fund and/or non fund based credit facilities aggregating to Rs. 245 Crores and/or together with interest at the respective agreed rates, and other monies payable by the Company to the aforesaid Banks in respect of the said credit facilities to the Company.



RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered to be in the best interests of the Company."

By order of the Board,
for MODI RUBBER LIMITED,

(S N Ghosh)
Company Secretary

Place : Modinagar
Date : December 29, 1999

NOTES:

1. Explanatory Statement in respect of Item Nos. 4 and 5 of the Notice as required under Section 173(2) of the Companies Act, 1956, are annexed herewith.
2. A member, entitled to attend and vote at the Meeting, is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy(ies) need not be Member(s) of the Company.
3. The proxy form(s) duly completed and signed should reach the Company's Registered Office at Modinagar at least 48 hours before the time fixed for the meeting.
4. The Register of Members (Equity Shares of Rs.10/- each) and Share Transfer Books of the Company relevant thereto shall remain closed from 27.01.2000 to 31.01.2000 (both days inclusive).
5. Dividend as recommended by the Board of Directors, if approved by the Members will be paid to those Members whose names are borne on the Register of Members on 27.03.2000.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their requests at the Registered Office and/or Head Office of the Company at least seven days before the date of the Meeting, so that the information required may be made available at the Meeting.
7. Members/Shareholders/Fixed Depositors are requested to correspond directly with our Transfer Agents and Registrars for Shares & Fixed Deposits for any matter concerned or related to shares and fixed deposits. It would save time and help us in expediting the matters.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM 4. As the Members are aware in the previous accounting year of the Company i.e. 1997-98, M/s. Singhi & Company, Statutory Auditors were appointed to hold office from the conclusion of the previous Annual General Meeting of the Company held on 20.03.1999 until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 3.30 lacs towards Statutory Audit and Rs. 1.20 lacs (Rs. 4.50 lacs in aggregate) towards Continuous Audit in addition to the reimbursement of travelling and other out of pocket expenses actually incurred by them in connection with the Statutory Audit and/or Continuous Audit and such other remuneration, as may be decided to be paid to them, for performing duties other than those referred to hereinabove.

Now it is proposed to reappoint them as Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting of the Company until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 3.30 lacs towards Statutory Audit and Rs.1.20 lacs towards Continuous Audit in addition to the reimbursement of travelling and other out of pocket expenses actually incurred by them in connection with the Statutory Audit and/or Continuous Audit and such other remuneration, as may be decided to be paid to them, for performing duties other than those referred to hereinabove.

Since the Financial Institutions hold more than 25% shareholding in the equity of the Company pursuant to the provisions of Section 224A(1) of the Companies Act, 1956, the Statutory Auditors of the Company are required to be appointed by a special resolution.

Hence the resolution mentioned at Item No. 4 of the notice is proposed.

None of the Directors of the Company may be considered to be interested or concerned in the said resolution.

ITEM 5. In order to enable the Company to meet the day-to-day Working Capital requirements, State Bank of India (SBI) (leader of the consortium), Punjab National Bank (PNB), State Bank of Patiala (SBP), Citibank NA (CITI), Standard Chartered Bank (SCB), Hongkong & Shanghai Banking Corporation Ltd. (HSBC), Punjab & Sind Bank (P&SB) and State Bank of Travancore (SBT) and/or such other bank as may be mutually agreed by the members of consortium have sanctioned fund and/or non fund based credit facilities aggregating to Rs. 245 Crores to the Company.

Now, in consideration of Credit Monitoring Arrangements (CMA) data submitted by the Company, SBI has (as a leader of consortium) completed the appraisal and approved, the proposal for grant of the following working capital facilities of the Company.

	(Rs. in Crores)	
	Existing	Proposed
a) Fund Based Facilities	86.00	135.00
Cash Credit/Overdraft/Bills Discounting/Export Credit Limit/ Post Shipment Credit and/or other facilities		
b) Non Fund Based Facilities	93.00	110.00
Total	179.00	245.00

Since the proposed working capital facilities are required to be secured against (a) first charge on inventories and book debts, (b) second charge on other assets, ranking pari passu with the other charges created/to be created by the Company in favour of the concerned Financial Institutions/Trustees and Banks, and (c) personal guarantees of two Managing Directors, and pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956, the mortgaging by the Company of its immovable and movable properties/undertaking, it is necessary for the Company to seek approval of its members by the resolution under Section 293(1)(a) of the Companies Act, 1956 for creation of the said mortgages/charges.

It may be mentioned that the Shareholders of the Company had at their Annual General Meeting held on 23.12.1993 accorded their consent to create charge on the moveable and immoveable assets of the Company in the above manner to secure the fund based/non fund based credit facilities aggregating to Rs. 179 Crores. Now, the Company is required to extend the aforesaid security to secure the additional working capital facilities upto Rs. 245 Crores.

Hence, the resolution as mentioned at Item No. 5 of the Notice is proposed.

None of the Directors of the Company may be considered to be interested or concerned in the said resolution.

INSPECTION OF DOCUMENTS

All material documents referred to in the Explanatory Statement and Memorandum & Articles of Association of the Company will be open for inspection by the members at the Registered Office of the Company, on all working days, including the date/day of the Annual General Meeting during business hours.



DIRECTORS' REPORT

Your Directors have pleasure in presenting the 28th Annual Report together with the Audited Statement of Accounts of your Company for the accounting year ended 30.09.1999.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	For the accounting year ended 30.09.1999	For the accounting year ended 30.09.1998
Turnover	94226.86	84211.61
Gross Profit/(Loss) (before depreciation & taxation)	1935.21	660.53
Depreciation	981.79	940.53
Profit/(Loss) before tax from operations	953.42	(280.00)
Extra Ordinary items		
Profit on sale of Investments	360.00	—
Excise charge under KVSS	(424.51)	—
Profit/(Loss) after extra ordinary items	888.91	(280.00)
Provision for Taxation	6.00	6.00
Profit/(Loss) after tax	882.91	(286.00)
Profit/(Loss) available for appropriations	882.91	(286.00)
Appropriations		
Proposed Dividend (including tax on dividend)	137.72	—
Transferred to/from General Reserve	250.00	(286.00)
Balance carried to Balance Sheet	495.19	—

During the year under review, your Company has achieved a sales turnover of Rs. 942 Crores against Rs. 842 Crores during the previous accounting year 1997-98. Your Directors are pleased to inform that with the introduction of new range of tyres and their acceptability by the market, the overall performance of your Company has improved significantly.

During the year under review, your Company has made a net profit of Rs. 8.83 Crores, after extra

ordinary items, i.e. Profit on Sale of Investments (Rs. 3.60 Crores) and Excise charge under Kar Vivad Samadhan Scheme (KVSS) (Rs. -4.24 Crores) as against a net loss of Rs. 2.86 Crores in the last year.

DIVIDEND

Your Directors are pleased to recommend for your approval a dividend @ 5%. The proposed dividend will absorb Rs. 137.72 lacs (including tax on dividend).

Out of the profits, a sum of Rs. 250 lacs has been transferred to General Reserve leaving the balance of Rs. 495.19 lacs in the Profit & Loss Account.

BUSINESS SCENARIO

Liberalisation of economy, changing economic scenario and intense market competition has necessitated your company to relook at the user performances. Your company has carefully analysed the market and set up a vital truck/bus tyre development project.

In the year under review, your company has undertaken an ambitious programme of expanding its dealer network in the domestic market, indentifying its weak markets and stepping up door to door consumer campaigns. A strong advertising campaign through TV and hoardings have been launched to support the field marketing efforts.

The results are now clearly discernable as the new product range in Bus and Truck tyres, which is designed to meet the demanding expectations of the domestic market, has been well accepted by the consumers. The innovative marketing strategies as well as better quality have lead to an increased demand for your products. There has been a substantial jump for your company in production of truck/bus tyres during the year under review. While the industry could register only a marginal growth in production, most of this was in replacement market wherein our share increased significantly outstripping the performance of our competitors.

In the Original Equipment segment, your Company continues to be an important vendor for the supply of tyres to vehicle manufacturers like Telco, Ashok Leyland, Maruti, Punjab Tractors, Escorts etc.